INFORMATION FOR THE PRESS

U. S. DEPARTMENT OF AGRICULTURE
OFFICE OF INFORMATION
PRESS SERVICE

WASHINGTON, D. C

AGRICULTURAL ADJUSTMENT ADMINISTRATION

Release afternoon papers,
Thursday, December 13, 1934.

EFFECTS OF BENEFIT PAYMENTS AND PROCESSING TAXES

- - -

Processing tax collections under the Agricultural Adjustment Act total $550,081,410 as of November 1, 1934, Chester C. Davis, Administrator, announced today. Benefit payments financed by taxes and paid to farmers to compensate them for cooperation in making adjustments in their production totaled $421,697,389 the same date.

The Adjustment Administration made public tables showing total processing tax collections by states from date of levy up to and including October 31, 1934; receipts from the different types of taxes by commodities, a tabulation by states of tax refunds up to October 31; benefit payments by states, and a tabulation of the percentages of total national population and of national income represented by each state, as approximate indicators of the extent to which taxes are borne by the various states. The tax collection figures are presented as reported by the Bureau of Internal Revenue.

This is an explanatory statement about processing taxes and benefit payments, based upon the activities of the Administration during 17 months since the first taxes were levied. It is a brief summary of information thus far assembled by the Administration about taxes and benefit payments, both of which have been subjects of widespread public discussion. It does not purport to be a complete or final statement of all of the facts about processing taxes, because experience has not yet been sufficient to disclose all the facts. It is a presentation of such facts as are known, and such effects of the tax as are apparent on the basis of present information.

I.

PURPOSE OF PROCESSING TAXES

The processing taxes are vital to the agricultural adjustment program. They provide the funds for financing the major adjustment operation which increase the income of the producers of the basic commodities of wheat, cotton, corn, hogs, tobacco, sugar and peanuts. Money collected as processing taxes is paid out in rental or benefit payments to producers of these commodities to compensate them for their cooperation in controlling their production and pays for the administration of such programs. Therefore the taxes, in financing these payments, provide the Government with a means of associating the interests of the individual with the interests of the whole group of producers of a basic commodity. Before the Act became a law, no individual producer could be sure that, no matter how great the surpluses might become or how low prices might fall, other producers would join with him in any voluntary program of production adjustment. Now, by confining payment of rental or benefit payments to farmers who cooperate in adjustment, the farmers who cooperate know they will receive more than those who do not, and therefore the processing taxes and benefit payments provide a means of uniting farmers in a general movement to accomplish the objective. They are fundamental to the machinery by which farmers control their production, and increase their incomes.

By encouraging adjustments that raise farm purchasing power, the processing taxes promote the general welfare.

II.
THE RATE OF TAXES

The law provides that the rate of the processing tax shall be the difference between the current average farm price and fair exchange value of - - - - - -

the commodity, or parity, with provision for a smaller rate if the full tax rate would tend to decrease consumption and increase surpluses, or depress the farm price, of the commodity. (Fair exchange value or parity, in the cases of all basic commodities except tobacco, is defined as that average value of the commodity which bears the same relation to the prices of things farmers buy, that existed in the base period of August 1909 to July 1914; in the case of tobacco the price relationship pertains to the period August 1919 to July 1929).

The present rate of the tax on wheat is 30 cents per bushel; on cotton, 4.2 cents per pound; on corn, 5 cents per bushel; on hogs, $2.25 per cwt.; on tobacco it ranges downward from 6.1 cents per pound, farm sales weight, depending upon the kind of tobacco and its uses; on sugar, 1/2 cent per pound of raw sugar; and on peanuts, 1 cent per pound.

The rate of tax is in effect from the beginning of the marketing year for which it is proclaimed by the Secretary of Agriculture and until a change is found necessary to carry out the policy of the Act.

Compensatory taxes are provided to equalize the effects of competition on processors by reason of excessive shifts of consumption from taxed basic commodities to competitive basic or non-basic commodities. Compensatory taxes are being levied on paper and jute used in certain products found to be competitive with cotton.

Compensatory taxes equivalent to the current rate of the processing tax also are levied on imported articles manufactured wholly or in chief value from a taxed commodity, so as to maintain existing competitive relationships between the domestic and imported articles. Taxes are levied on the taxable

content of manufacturers' or wholesalers' floor stocks on hand at the time taxes are placed in effect, and on retail stocks held on the effective date of the tax and not disposed of within 30 days thereafter, in order to forestall anticipation of the tax by laying in large supplies. Taxes on floor stocks are to be refunded at the time the tax is to be discontinued, at a rate equivalent to the processing tax collected on the commodity from which processed. Refunds also are made of taxes on products delivered to any organization exclusively for charitable distribution or use, including public relief distribution, and on exported products.

III.

COLLECTION OF TAXES

(See Table A)

Taxes are levied upon the first domestic processing of any basic agricultural commodity on which rental or benefit payments are to be made.

The processing taxes therefore are collected through the processors and tend to affect the level of wholesale and retail prices. The retail prices paid by consumers of taxed products include the amount of the tax, but this does not necessarily mean gross consumer expenditures for the commodity will be larger nor even that in all cases there is a net increase in the retail price due to the tax. The amount of tax collections in any state (Table A), however, merely reflects the location and concentration of industries processing farm products. Tax collections thus merely show the quantity of taxable farm products processed in that state. The collections in no way indicate the amount of taxes borne by the people living in that state. The amount actually borne depends very largely on the population in each state and its capacity to pay.

Minnesota, New York, Kansas, Missouri, Illinois, and Texas show largest totals of wheat tax collections because flour mills are concentrated

in those states. The taxes collected at these mills ultimately are reflected in the retail prices paid by consumers of flour or bread, wherever they may live.

Cotton tax collections are highest in North Carolina, Massachusetts, Georgia, South Carolina, New York and Alabama, because textile mills are centered in them. But the cotton tax is no more of a factor in the retail price paid by consumers for textiles in these states than in any other states.

Tobacco tax collection totals are greatest in the tobacco manufacturing states of North Carolina, New York, Virginia and Kentucky.

About one-half of all hog processing tax collections are made through the packing plants of Illinois. But the hog processing tax collected in Illinois is spread out in the retail price of pork products sold to consumers in many states.

IV.

THE PER CAPITA TAX DISTRIBUTION

The processing tax collections within any geographical area are not any indication of the original consumer source of these collections on a per capita basis.

The rate of tax reflected in the retail prices paid by individual consumers on processed commodities tends to be uniform, in all parts of the nation. In general, and within the limits of temporary local variations, the aggregate share of processing taxes contained within the expenditures of an individual consumer is regulated by the amount of taxable commodities which he purchases. (Products raised by farmers for their own home use are exempt.)

For example, a family of five in New York purchasing the same quantity of taxed commodities as a family of five in Mississippi would pay about the same amount in processing taxes.

In a general way, the total amount of processing taxes represented in the expenditures by the people of any state is determined chiefly by the number of people living in that state and their money incomes spent on the commodities taxed. Statistics have not yet been tabulated to show the quantities of taxed commodities consumed by states. The money income factor is probably less important than the population factor in most sections of the country, because the demand for food, and to a considerable extent, for clothing, is less flexible than the demand for industrial products. There are limits to the amount a person can eat or wear beyond which an increase in income increases consumption relatively little, though within these limits, changes in income do have important bearing upon total expenditures for farm products.

To give a general approach to the distribution of the processing tax, by states, L. H. Bean, Economic Advisor in the Agricultural Adjustment Administration, has worked out a table based on these two factors. (See Table B). The table shows:

First, the amounts of processing tax collections from processors by states.

Second, the percentage of the national total of processing taxes that has been collected from processors within the state;

Third, the state's percentage of the total national population; and

Fourth, the state's percentage of the total national income.

Although, as already stated, it is not possible to correlate exactly these last two columns of data, the table does furnish the basis for approximations concerning the distribution of taxes, whereas a report limited to collections does not. In every state, the percentage of the national total tax collections paid by the people of that state is represented by some

composite of the percentages in columns 3 and 4 of Table B, but the exact relationship of the population and income factors is not yet definitely known. The table indicates that in several states where processing plants are concentrated, the amount of taxes borne by consumers is less than taxes actually collected in those states while in other states where relatively less processing is carried on the reverse is true.

V.

EFFECTS OF THE PROCESSING TAX ON THE PRODUCER

The processing tax may operate to increase the producer's income in one or both of two ways.

First, it provides funds for benefit payments which encourage adjustment in production. This adjustment of itself may increase the farmer's return.

In the case of hogs, for example, the increase of income to the farmer may be brought about without necessarily involving any increased total expenditures by consumers for pork products. In this case, the farmer's return is substantially improved by a higher unit price for hogs, attained through adjustments avoiding market gluts, and through savings on the costs of feeding, work, handling and freight charges on the reduced volume of hogs sent to market. For example, loss of export markets formerly existing for 8,000,000 hogs forced these hogs on the domestic market, and drove prices downward. Farmers in that situation received less for the whole crop than they would have received for a volume adjusted downward to conform to the loss of exports. In effect, the farmer's expense of feeding and caring for the 8,000,000 excess hogs and the extra percentage of the consumer's dollar

required for transporting, processing, and marketing these hogs, were lost to farmers. Saving such losses by adjusting production to effective demand increases the farmer's return.

A practical limitation exists, of course, upon the possibility of increasing farm income by reducing volume and increasing unit price. Supply can be out of adjustment by being too small as well as by being too large. Theoretically, price can be increased without limit by reducing supply, but extreme price advances resulting from extreme adjustment also may result in a reduction in total return from the crop. Foreign competition may be increased, or domestic consumption may be decreased proportionately more than the adjustment in supply, so that gross farm income may be smaller than it would be with a larger production volume. The processing taxes providing funds for benefit payments are being used, and obviously should be used, to achieve and maintain that volume of production which will be in best balance with reasonable consumption levels and which, therefore, will bring farmers fairer and more stable incomes over the seasons.

Effect on Wheat and Cotton Income

There is a second way in which the processing tax may operate to increase the farmer's income. In addition to its use as an instrument for production adjustment, the tax may function as a real tax, <u>increasing</u> the aggregate sum spent by consumers for farm products up to a fair exchange value. The tax tends to operate in this way with respect to such commodities as wheat and cotton, for which the demand is relatively rigid, and for which consumption does not readily expand or contract in response to price.

For such commodities, the tax tends to increase the cost per unit to consumers probably by something less than the equivalent of the tax over and above any increase due to the effect of adjustment.

When the processing tax fulfills these two functions, it has a double effect on the income of producers, first increasing it by the adjustment of - - - -

supply, made possible by the tax, and second, by adding most of the tax to the producers' income in the form of benefit payments.

The processing tax sometimes affects producers' income in still another way. The tax may, for varying periods of time, be paid by the processor without a proportionate increase in the spread between producer and consumer prices. In the case of the processing tax on cigarette tobacco, the tax did not increase the consumer price. The small tax amounting to 3/10 of a cent a package is paid out of a practically unchanged gross margin between the producer and the consumer price. Thus, the share of the consumer's dollar that goes to the producer was increased.

The farmer who cooperates in Agricultural Adjustment Administration programs receives his increased income in two parts. First, he gets the open market price when he sells his product, which may or may not yield a larger total income from the crop than before adjustment and, second, he receives his benefit payment, financed out of processing taxes. The improved position of the farmer from these two sources and from other recovery measures is reflected in an increase of farm cash income of $723,000,000 in 1933 over 1932, and an estimated increase of a billion dollars in 1934 over that in 1933.

Tax on the Non-cooperator

It is sometimes argued in the corn belt that the producer "pays" the tax because he no longer gets, in the form of the open market price, the total value paid by the processor for each hog slaughtered. This is overlooking the fact that cooperating producers as a group, with the distribution of the benefit payments, eventually do get all of this total value paid by the processors; it also confuses the meaning of the term "pay".

Only the non-signer who does not participate in the adjustment program can be said to bear the tax in any appreciable degree; he does not share in that part of the value of hogs which is paid by processors in the form of processing taxes, and which part represents increase in total hog income. The non-signer may be benefitted to some extent, however, by the rise in the open market price for which the production adjustment by contract signers is responsible.

Disbursements of Benefit Payments

The disbursements of rental and benefit payments to farmers by the Agricultural Adjustment Administration up to October 31, 1934 are given by States in Table C. This table was released to the press December 3. The state by state total of benefit payments may vary greatly from one month to the next. This is because a state's total may be sharply increased in a single month's time when payments are being disbursed on a year's production contracts for wheat, cotton or other commodity, and the whole year's total for this commodity is concentrated in a short period of time.

Since the Agricultural Adjustment Administration has been in operation there have been three periods of heavy disbursements of benefit payments, as shown in Figure 1. These were September and October 1933, January and February 1934, and August to November 1934. These periods of heavy disbursements occurred following receipt of large volumes of contracts from the field. The latter period includes payments also for cattle purchased as a result of the drought. Apparently the heavy disbursements in the fall of 1933 and also in the fall of 1934 served to check declining tendencies in industrial activity and in factory payrolls.

VI.

EFFECTS OF PROCESSING TAXES ON THE CONSUMER

The retail prices paid by consumers for products on which processing taxes are levied may reflect, first, the effects on these prices of adjustment of supply brought about by cooperation of farmers to control their production, and, second, the processing tax itself.

This is explained by the fact that, as to one group of products, demand is relatively flexible, rising and falling in relation to consumer income and price, while as to a second group of products demand is relatively inflexible. The first group of commodities includes meat, dairy and poultry products, fruits and vegetables. The second group includes wheat and cotton.

The commodity in the first group on which processing taxes are being levied is hogs. At a given level of income consumers tend to spend about the same amount for pork and lard, whether the supply is moderate or excessive. If hog supplies are adjusted by farmers to eliminate the excessive margin over moderate production, prices of hog products tend naturally to rise all along the line. Consumers simply pay more per pound for fewer pounds of pork offered. The aggregate consumer expenditures for pork, however, may not be expected to increase to any appreciable extent, even through a processing tax is in effect and prices are higher. The processing tax is built into the higher retail price resulting from adjustment, not onto the retail price as appears to be the case with cotton and wheat. Thus consumers tend to pay the hog processing tax primarily in the sense that they get a moderate rather than a large supply of hog products for their

expenditures.

But for wheat and cotton, for which the demand is relatively inflexible, consumers' total expenditures may be increased by means of the tax. In this case, consumers pay the tax in the sense that they tend to spend somewhat more for the adjusted supply.

Small Part of Retail Price

It should be pointed out that the tax in the case of hogs represents a larger proportion of the retail price than in the case of cotton and wheat. In any case, however, the processing taxes represent a relatively small proportion of the average prices of the finished products, but they do represent a substantial part of the income going to producers.

The price equivalent of the hog processing tax of $2.25 per cwt. averages about 4½ cents per pound on the yield of hog products from each animal slaughtered The processing tax of 30 cents per bushel of wheat is the equivalent of about 1/2 cent on a one-pound loaf of bread. That is somewhat more than 5 percent of the average retail price of bread. But for the farmer a rise of 30 cents a bushel on the wheat going into domestic consumption means an increase of 77 percent on that domestically consumed wheat over his average farm price in 1932.

To the consumer, the processing tax of 4.2 cents per pound on cotton is equivalent to about 5 cents on a cotton shirt or about 5 percent of the retail price of a $1.00 shirt. But to the farmer, an increase of 4.2 cents per pound on cotton going into domestic consumption means an increase of nearly 100 percent over the average price paid him for cotton at the low point of 1932.

The consumer's indicated per capita share in the payment of the cotton processing tax is about $1.25 per year and of the wheat tax it is less than $1.00 per year.

While the consumer prices for tobacco have increased very little, if any, the income of tobacco growers has been increased from a low of 107

million dollars in 1932 to 179 million dollars in 1933. A further material increase is expected for 1934.

The effect of the sugar processing tax on the consumer is offset by a reduction of the tariff on sugar in the same amount as the tax. The tariff was lowered by 1/2 cent when the 1/2 cent processing tax was levied.

Processing taxes collected during any calendar year are a relatively small part of the total cost of living and when account is taken of the fact that in certain commodities the adjustment programs do not increase consumers' total outlays, the net addition to living costs, due to processing taxes is comparatively small. For 1934 total retail sales for the country as a whole are estimated at about 28 billion dollars and processing taxes for the calendar year will run somewhat under 500 million dollars. But in this total of collections are included about 175 million dollars on hogs which do not add to the total aggregate outlay by consumers, and about 45 million dollars on sugar which is more than offset by the reduction in tariff on sugar made possible by the processing tax on sugar. Furthermore, processing taxes on tobacco amounting to about 25 million dollars, as already indicated, did not increase customary retail prices. All in all, the net increase in total retail expenditures by consumers due to the processing tax collections probably amounts to less than one percent.

Other Effects on Consumer

The consumer is affected by the adjustment programs in ways other than those already described. Most of the price increases represent revivals from the low consumer price levels of recent years.

While it is true that these low prices meant that consumers profited for a time by buying cheaply, the loss, through low prices, of farmers' ability to buy goods manufactured in the cities ultimately caused a decline of factory employment, and this affected city consumers adversely.

At the depths of depression, the number of workers who were idle as a result of inability of farmers to buy city-made goods is estimated at approximately 4,000,000.

The revival of farm purchasing power resulting from increases of farm prices and payment of benefit and rental payments to producers has resulted in substantial improvement in farmers' demand for industrial goods in 1933 and 1934.

The effects have been felt first in retail business in the agricultural states, where there have been sharp upturns in trade activity. This has been reflected back to the populous industrial states where concentrated the industries manufacturing goods that ultimately go into retail trade.

Some economists believe that the benefit payments financed out of processing taxes have particularly marked effects upon accelerating the velocity of the circulation of money, and in stimulating trade. One reason for this opinion is that government rental and benefit payments are free from legal attachment for debt. Another reason is the release of a large volume of purchasing power throughout a community within a comparatively short period of time. Some money undoubtedly is voluntarily used to pay debt; much of this money, however, continues to circulate and to stimulate the exchange, or sale of goods and services. Farmers who have pressing needs for goods for themselves and their families can spend all of the money directly for goods.

Broad Purpose of Act

The purpose of the Agricultural Adjustment programs is not merely to achieve agricultural recovery and maintain the position gained for agriculture, but to aid national economic improvement generally through increasing farmers' power to buy industrial goods and maintaining this power. A study of the effects of agricultural improvement upon industrial communities is being made in the Southeast, where farmers have received both cotton and

tobacco benefit payments, as well improved prices for both.

Preliminary figures from this study indicate that shipments of goods from Massachusetts, New York and Pennsylvania to the Southeastern States over the Southern Railway System and the Central Railroad of Georgia were 43 percent greater in total tonnage in the first ten months of the fiscal year 1933-34 beginning July 1, 1933, than during the same period a year earlier. This is an indication of the way in which processing taxes going to farmers as benefit payments, or improvement in farm prices, come back to the populous industrial states, improving factory employment and promoting two-way freight shipments for railroads. (See Figure 2)

It is true that savings in farm expense by holding farm production to levels which can be sold at fair prices may, by reducing volume, also reduce employment in some handling trades. But these adverse effects are probably temporary. Prlonged depression of farm prices below production costs ultimately would force so many farmers out of business that an undue shrinkage in volume of farm production would ultimately occur with greater losses of employment. By stabilizing farm production so as to avoid surpluses the adjustment programs should be instrumental in helping to avert extreme fluctuations in employment such as occurred between 1928 and 1932. As the right amounts of various goods are produced and freely exchanged, employment in most lines should be enhanced.

Joint Consumer-Producer Interest

Studies of Agricultural Administration economists emphasize the importance of the relationship between volume of agricultural and industrial production. During the depression, agriculture maintained its volume of production within 15 percent of the maximum, although farm prices - - - - - - - - - - - - -

declined 55 percent by 1934. Industry, however, reduced its volume nearly 60 percent, while industrial prices were held to a decline of only 15 percent. This meant (a) that agriculture would have to take greatly reduced quantities of industrial goods in exchange for almost normal farm production, and (b) that industrial employment and therefore domestic demand for farm products was greatly reduced as a result of the restriction of volume of manufactured goods. Increase in volume of industrial production and consumption is an essential factor in agricultural and general economic recovery.

The volume of American agricultural production is absorbed by domestic consumption and exports. America's postwar transition from a debtor to a creditor nation, which decreased the demand for farm exports as payment for debts and interest owed abroad, and American exclusion of imports which alone could make possible a revival of exports, have combined to restrict the outlet for the former volume of farm exports. Unless there is a downward tariff revision to permit imports, the former volume of some of the American farm exports apparently could be maintained, if at all, except at the expense of very low farm prices.

The American consumer as well as the producer has an interest in maintaining the fair exchange value of farm products. This is especially clear when it is considered that farm products are soil fertility, plus labor, sun and rain. There are prices below which the sale of soil fertility is unjustified. Maintenance of export volume at the cost of ruinously low prices would mean export of American soil fertility without any proper compensation.

The consumer and the producer have a joint and permanent interest in conservation of American soil resources. The consumer as well as the producer will benefit and enjoy increased security if the farmer gets an

exchange value fairly sufficient to afford sound farm management practice, with rotation of crops and planting of legumes and soil building grasses to keep the soil in condition to produce with maximum efficiency over long periods of time.

No Effect on Public Debt

The consumer ultimately will share the costs if the producer is forced by low prices to farm with reckless intensity, mining and exhausting the soil without replenishment as the only way to get dollars to pay bare living costs, debts and taxes. The broad and permanent interest of the consumer in the more balanced production and better exchange value relationships sought by the adjustment programs is identified with the national interest in conservation of the soil as the great ultimate source of wealth.

The benefit payments financed by processing taxes do not increase the national debt. The collections of $550,081,419 up to November 1 exceed disbursements of rental and benefit payments by $128,384,021. The relative amounts of receipts and payments vary continually, sometimes receipts, and sometimes payments, being in excess. But during the course of the period of operation the two are planned to balance closely. Each of the big adjustment programs for wheat, cotton, corn and hogs, tobacco, sugar and peanuts has been planned as nearly as possible to pay its own way. Therefore, the national credit is not involved. National credit is in fact supported, insofar as these programs play a part in bringing about national recovery.

--0--

Table A.

UNITED STATES DEPARTMENT OF AGRICULTURE

Agricultural Adjustment Administration, Office of the Comptroller.

Processing and Related Taxes Collected (Gross) to October 31, 1934 as Reported by the Bureau of Internal Revenue, Classified by State and Commodity.

State	Total all Commodities	Wheat	Cotton	Tobacco	Field Corn
Ala.	$ 10,552,719	$ 122,393	$ 9,896,629	$ 25,399	$ 111,835
Ariz.	441,226	233,887	42,029	2,458	2,063
Ark.	674,623	119,392	414,673	16,358	44,007
Calif.	16,915,930	7,033,398	2,454,771	611,848	27,861
Colo.	5,911,259	3,113,726	387,440	12,113	5,011
Conn.	2,445,132	108,051	1,883,255	34,641	2,257
Del.	613,231	104,303	167,039	74,986	5,929
Fla.	830,996	81,527	144,450	408,191	8,476
Ga.	24,978,382	944,025	22,531,619	38,317	131,426
Hawaii	684,469	26,247	108,907	7,975	278
Idaho	631,202	341,455	54,783	3,355	1,477
Ill.	91,990,189	10,496,947	4,717,190	574,104	992,745
Ind.	9,261,687	3,511,751	737,876	137,927	446,020
Iowa	16,466,680	730,989	400,177	35,010	747,274
Kan.	17,209,051	15,882,338	433,402	13,068	26,877
Ky.	6,622,101	2,167,160	774,694	2,372,877	304,811
La.	3,380,877	135,622	1,155,369	53,195	65,399
Me.	2,509,824	72,032	2,229,321	10,524	1,522
Md., including D.C.	7,079,455	854,077	2,474,452	103,431	18,866
Mass.	29,026,184	487,517	24,548,506	87,571	24,021
Mich.	6,597,983	2,979,637	1,079,963	438,048	176,552
Minn.	34,514,277	30,025,711	673,215	46,895	25,311
Miss.	1,017,395	91,399	844,311	14,885	31,031
Mo.	24,397,658	13,519,645	3,291,499	809,995	264,526
Mont.	2,410,586	2,108,121	65,103	6,198	3,043
Neb.	6,348,597	4,331,518	217,863	12,176	97,114
Nev.	159,996	89,052	8,871	6,893	2,846
N.H.	2,570,240	154,856	2,167,844	53,454	1,446
N.J.	5,053,324	487,628	1,869,462	1,120,359	11,760
N.Mex.	180,476	97,372	42,109	3,191	1,445
N.Y.	58,213,425	17,199,920	17,093,535	5,921,804	2,470,974
N.Car.	41,256,015	1,830,315	31,329,524	7,628,548	57,532
N.Dak.	1,472,251	1,233,274	63,379	2,105	1,040
Ohio	18,936,793	6,762,488	2,457,586	1,558,278	101,207
Okla.	4,894,878	3,838,346	536,419	15,095	70,357
Ore.	3,791,324	3,111,979	167,976	10,155	3,577
Penn.	17,082,863	3,610,341	3,526,534	1,579,564	144,154
R.I.	4,226,500	55,530	4,006,832	11,695	5,576
S.Car.	23,197,395	146,392	22,661,673	33,607	31,232
S.Dak.	634,294	315,933	71,959	4,226	2,168
Tenn.	7,720,783	2,223,352	3,156,048	667,105	137,704
Texas	14,642,609	9,864,178	3,072,852	75,833	163,040
Utah	1,097,946	319,192	105,942	3,343	1,309
Vt.	391,764	54,607	191,599	3,816	594
Va.	8,814,547	1,866,487	3,011,897	2,530,379	57,003
Wash., including Alaska	5,476,623	4,151,052	290,714	18,244	21,411
W.Va.	1,405,820	407,098	372,104	334,130	26,633
Wis.	5,067,975	647,577	645,738	59,557	150,511
Wyo.	281,840	187,815	24,605	2,391	663
Totals	$550,081,419	$158,328,178	$178,608,763	$27,595,345	$7,029,936

Table A (continued)

State	Hogs	Paper and Jute	Sugar	Peanuts	Cotton Ginning	Tobacco Producers' Sales	Unclassified
Ala.	$ 272,967	$ 24,746	$ 79,405	$	$ 4,528	$	$ 14,813
Ariz.	149,946	2,055	8,731				53
Ark.	57,937	8,881	12,833		186		550
Calif.	2,647,939	992,428	2,908,849	26	119		338,687
Colo.	514,916	183,069	1,392,519				2,463
Conn.	405,866	6,095	4,954				
Del.	240,316	18,990	1,166				
Fla.	77,543	45,312	55,780		7,257	2,457	
Ga.	468,553	294,092	534,062		9	13,835	22,439
Hawaii	50,730	467,385	22,627	221			96
Idaho	209,834	16,902	3,064				329
Ill.	74,467,815	529,721	193,245				13,418
Ind.	4,368,737	35,766	23,221				336
Iowa	14,460,596	32,889	59,367				373
Kan.	733,266	63,441	55,696				959
Ky.	927,786	38,597	22,880				13,293
La.	86,336	297,357	1,585,365		2,190		39
Me.	102,032	88,035	6,353				
Md., including D.C.	1,952,775	617,234	1,056,769	65			1,781
Mass.	2,901,352	372,821	603,533				859
Mich.	1,387,459	86,205	365,664				84,450
Minn.	3,453,210	208,164	81,724				42
Miss.	20,905	4,197	9,876		149		637
Mo.	5,237,927	1,215,741	54,522				3,799
Mont.	211,089	9,858	5,916				1,255
Neb.	1,648,252	23,200	18,443				28
Nev.	35,867		16,464				
N.H.	9,686	104,181	1,986				76,784
N.J.	1,495,613	54,719	13,780				
N.Mex.	26,398	1,506	7,283				1,168
N.Y.	5,189,547	2,666,444	7,662,743	49			8,105
N.Car.	111,899	49,824	24,078			185,875	38,415
N.Dak.	105,723	7,253	3,531				953
Ohio	7,470,128	492,817	92,016				2,269
Okla.	387,383	20,764	26,511				
Ore.	400,186	78,455	13,323				670
Penn.	4,904,276	409,154	2,881,123				27,714
R.I.	142,137	2,498	2,230				
S.Car.	163,628	12,836	93,486		2,347	14,577	37,612
S.Dak.	230,081	3,499	6,425				
Tenn.	1,284,552	227,953	19,565		43		4,455
Texas	880,818	188,778	383,121		4,774		9,213
Utah	167,866	50,932	469,353				5
Vt.	29,841	109,499	1,787				17
Va.	502,116	429,413	356,378			52,319	8,520
Wash., including Alaska	901,746	44,200	49,247				5
W.Va.	140,374	114,193	11,033				202
Wis.	3,334,893	168,724	57,804				23,169
Wyo.	63,767	735	1,782				79
Total	$145,034,686	10,901,615	$21,646,684	$363	$21,605	$269,065	$545,173

Table A-1

Processing and Related Taxes for the Month of October and Accumulated to October 31, 1934, As Reported by the Bureau of Internal Revenue

Commodity and Type	Total to September 30, 1934	Collections October, 1934	Total to October 31, 1934
Wheat			
Processing	$132,785,388.10	$11,833,461.43	$144,618,849.53
Import Compensating	26,487.09	2,104.88	28,591.97
Floor Tax, other than Retail Dealers	11,026,981.83	20,214.21	11,047,196.04
Floor Tax, Retail Dealers	2,631,461.14	2,079.81	2,633,540.95
Unclassified	160,292.77	-10,730.60	149,562.17
Total Wheat	$146,639,610.93	$11,838,129.73	$158,477,740.66
Cotton			
Processing	$110,817,059.21	$ 7,833,612.57	$118,650,671.78
Import Compensating	1,391,419.39	116,417.52	1,507,836.91
Floor Tax, Other than Retail Dealers	46,739,132.65	59,592.39	46,798,725.04
Floor Tax, Retail Dealers	11,641,943.67	9,585.71	11,651,529.38
Unclassified	174,559.98	-20,344.48	154,215.50
Total Cotton	$170,764,114.90	$ 7,998,863.71	$178,762,978.61
Tobacco			
Processing	$ 22,933,344.48	$ 2,337,392.46	$ 25,270,736.94
Import Compensating	242,295.67	7,909.26	250,204.93
Floor Tax, other than Retail Dealers	1,819,823.81	123.21	1,819,947.02
Floor Tax, Retail Dealers	249,255.35	5,201.33	254,456.68
Unclassified	40,812.16	-4,756.54	36,055.62
Total Tobacco	$ 25,285,531.47	$ 2,345,869.72	$ 27,631,401.19
Field Corn			
Processing	$ 5,330,928.43	$ 595,169.94	$ 5,926,098.37
Import Compensating	24,757.59	3,929.95	28,687.54
Floor Tax, other than Retail Dealers	990,609.85	1,828.10	992,437.95
Floor Tax, Retail Dealers	82,557.49	156.72	82,714.21
Unclassified	10,787.17	-1,257.21	9,529.96
Total Field Corn	$ 6,439,640.53	$ 599,827.50	$ 7,039,468.03

Table A-1 (Continued)

Commodity and Type	Total to September 30, 1934.	Collections October, 1934	Total To October 31, 1934
Hogs			
Processing	$121,508,594.04	$17,163,855.26	$138,672,449.30
Import Compensating	51,223.17	8,963.72	60,186.89
Floor Tax, other than Retail Dealers	6,177,239.37	6,061.29	6,183,301.16
Floor Tax, Retail Dealers	118,677.48	72.10	118,749.58
Unclassified	307,770.84	-35,869.84	271,901.00
Total Hogs	$128,163,505.40	$17,143,082.53	$145,306,587.93
Paper and Jute			
Processing	$ 6,546,375.33	$ 163,332.03	$ 6,709,707.36
Import Compensating	1,012,656.54	7,271.71	1,019,928.25
Floor Tax, other than Retail Dealers	3,089,295.35	12,097.19	3,101,392.54
Floor Tax, Retail Dealers	70,444.86	142.05	70,586.91
Unclassified	14,044.01	-1,636.79	12,407.22
Total Paper and Jute	$ 10,732,816.09	$ 181,206.19	$ 10,914,022.28
Sugar Cane and Sugar Beets			
Processing	$ 12,050.76	$12,124,010.37	$ 12,136,061.13
Import Compensating	1,376,867.87	453,963.96	1,830,831.83
Floor Tax, other than Retail Dealers	5,525,661.94	1,804,956.58	7,330,618.52
Floor Tax, Retail Dealers	297,360.16	51,813.30	349,173.46
Unclassified	13,019.69	-1,517.41	11,502.28
Total Sugar Cane and Sugar Beets	$7,224,960.42	$14,433,226.80	$21,658,187.22
Peanuts			
Import Compensating	$	$ 363.57	$ 363.57
Cotton Ginning Tax	$ 1,595.59	$ 20,009.57	$ 21,605.16
Tobacco Producers' Sales Tax	$ 114,654.16	$ 154,411.14	$ 269,065.30
Total Collections	$495,366,429.49	$54,714,990.46	$550,081,419.95

Note: Distribution of Unclassified made to commodities on basis of proportionate monthly collections.

Table A-2

Tax Refunds to October 31, 1934 as Reported by the Bureau of Internal Revenue Classified by State and Commodity

State	Total	Cotton	Wheat	TOBacco
Alabama	$ 15,341.85	$ 10,238.11	$ 4,801.83	$ 9.10
Arizona	5,378.96	192.18	5,184.92	
Arkansas	1,168.43	411.70	342.94	90.15
California	659,075.67	49,858.82	602,091.41	457.89
Colorado	10,050.64	7,650.61	2,045.45	27.03
Connecticut	19,907.56	11,946.12	7,833.07	12.65
Delaware	543.01	97.73		
Florida	1,473.12	1,269.60	192.46	7.36
Georgia	35,917.86	30,441.40	5,242.39	13.49
Hawaii	482.50	362.30		55.78
Idaho	918.56	355.94	186.01	8.09
Illinois	3,456,660.80	41,315.04	52,343.72	57.48
Indiana	105,672.62	11,500.75	30,629.77	259.12
Iowa	945,361.25	2,738.95	18,770.31	221.24
Kansas	110,625.09	3,573.17	73,271.84	67.28
Kentucky	14,963.16	473.92	12,707.56	146.60
Louisiana	45,788.25	28,343.52	7,781.37	17.43
Maine	1,041.51	373.02	284.55	37.34
Maryland	3,611,776.13	117,267.85	881,297.41	
Massachusetts	416,083.77	244,256.19	2,802.04	98.69
Michigan	90,518.67	8,931.50	80,878.54	165.04
Minnesota	217,765.68	12,890.28	113,672.92	15.29
Mississippi	2,936.82	1,987.46	871.42	65.45
Missouri	67,633.33	6,238.37	60,164.16	68.17
Montana	4,485.34	705.83	3,302.73	59.89
Nebraska	38,597.15	2,303.29	3,880.76	8.30
Nevada	61.26	17.47		43.79
New Hampshire	6,815.63	6,705.57	37.62	.56
New Jersey	16,499.49	14,017.71	1,439.16	4.34
New Mexico	1,445.61	81.01	1,341.91	
New York	1,471,911.54	1,112,974.00	121,515.71	749.41
North Carolina	93,252.22	89,899.97	2,066.65	
North Dakota	1,198.95	200.00	937.53	5.75
Ohio	233,224.63	56,006.01	85,342.64	117.34
Oklahoma	28,555.23	656.42	23,817.90	25.27
Oregon	114,429.38	750.50	113,610.43	7.24
Pennsylvania	100,850.49	74,017.51	18,909.62	167.82
Rhode Island	15,056.06	14,896.46	114.50	1.77
South Carolina	22,406.68	21,602.56	555.39	
South Dakota	1,036.65	121.55	915.10	
Tennessee	45,213.52	25,025.66	19,196.65	21.78
Texas	80,617.91	11,196.20	67,471.38	232.58
Utah	129.53	113.57	15.96	
Vermont	241.78	117.68	121.72	
Virginia	39,937.41	30,096.50	2,468.51	103.51
Washington	405,458.70	10,890.74	392,867.89	35.09
West Virginia	2,676.05	2,200.04	189.32	200.34
Wisconsin	329,842.24	5,022.57	31,909.69	34.51
Wyoming	944.30	16.67	927.63	
Totals	$12,891,972.99	$2,072,350.02	$2,856,352.49	$3,718.46

Table A-2 (continued)

State	Corn	Hogs	Paper and Jute	Sugar
Alabama	$ 232.70	$ 60.11	$	$
Arizona	1.86			
Arkansas	319.43		4.22	
California	1,248.43	277.00	5,142.13	
Colorado	163.79	70.99	45.69	47.08
Connecticut	6.00	72.74	36.98	
Delaware		445.28		
Florida	3.70			
Georgia	184.06	10.62	25.90	
Hawaii	19.11	22.31	25.00	
Idaho	145.00	34.32	189.20	
Illinois	11,985.41	3,350,729.14	230.01	
Indiana	393.80	62,635.85	199.29	54.04
Iowa	5,859.63	917,669.39	101.73	
Kansas	362.83	33,240.31	109.66	
Kentucky	7.16	1,624.92	3.00	
Louisiana		9,535.15	110.78	
Maine	186.06	93.25	67.29	
Maryland		2,613,091,77	119.10	
Massachusetts	1,144.58	167,647,23	135.04	
Michigan	354.70	105.11	83.78	
Minnesota	590.56	90,397.56	199.07	
Mississippi	7.12	5.37		
Missouri	438.68	421.23	302.72	
Montana	178.55	229.63	8.71	
Nebraska	130.36	32,179.35	86.09	
Nevada				
New Hampshire	34.35	36.31	1.22	
New Jersey	877.00	161.28		
New Mexico	22.69			
New York	31,752.00	199,140.53	5,779.89	
North Carolina	1,035.42		250.18	
North Dakota			55.67	
Ohio	1,026.10	90,687.96	44.58	
Oklahoma	129.42	3,920.30	7.92	
Oregon	45.81	15.40		
Pennsylvania	3,903.65	3,164.78	687.11	
Rhode Island	39.21		4.12	
South Carolina	171.08		77.65	
Tennessee	570.07	148.13	251.23	
Texas	936.20	566.66	214.89	
Vermont	2.38			
Virginia	544.94	5,548.79	1,156.00	19.16
Washington	189.45	231.67	1,243.86	
West Virginia	64.73	21.12		
Wisconsin	369.38	292,180.51	325.58	
Totals	$65,686.38	$7,876,422.07	$17,323.39	$120.28

Table B

State	Processing & Related Taxes Collected (Thousands)	Percent of Total Processing Tax Collected from Processors in State to U. S. Total	Percent of Total U. S. Population in State 1/	Percent of Total Income Received in State 1/
Alabama	$ 10,553	1.92	2.15	1.01
Arizona	441	.08	.35	.36
Arkansas	675	.12	1.51	.67
California	16,916	3.08	4.54	6.61
Colorado	5,911	1.07	.85	.81
Connecticut	2,445	.44	1.30	1.65
Delaware	613	.11	.11	.25
Florida	831	.15	1.17	.88
Georgia	24,978	4.54	2.30	1.15
Hawaii	684	.12		
Idaho	631	.11	.37	.32
Illinois	91,990	16.72	6.20	8.19
Indiana	9,262	1.68	2.64	2.26
Iowa	16,467	2.99	2.03	1.38
Kansas	17,209	3.13	1.54	1.22
Kentucky	6,622	1.20	2.13	1.16
Louisiana	3,381	.61	1.71	1.05
Maine	2,520	.46	.65	.57
Maryland, including District of Co.	7,079	1.29	Maryland 1.33 Dis. of C. .30	1.39 .66
Massachusetts	29,026	5.28	3.47	4.34
Michigan	6,598	1.20	3.91	4.54
Minnesota	34,514	6.27	2.09	1.75
Mississippi	1,017	.18	1.63	.67
Missouri	24,398	4.44	3.05	2.62
Montana	2,411	.44	.44	.43
Nebraska	6,349	1.15	1.12	.82
Nevada	160	.03	.07	.10
New Hampshire	2,570	.47	.38	.34
New Jersey	5,053	.92	3.20	4.36
New Mexico	180	.03	.35	.23
New York	58,213	10.58	10.22	17.67
North Carolina	41,256	7.50	2.57	1.15
North Dakota	1,472	.27	.55	.34
Ohio	18,937	3.44	5.41	5.80
Oklahoma	4,895	.89	1.94	1.35
Oregon	3,791	.69	.78	.82
Pennsylvania	17,083	3.11	7.87	8.47
Rhode Island	4,227	.77	.56	.65
South Carolina	23,197	4.22	1.42	.53
South Dakota	634	.12	.56	.33
Tennessee	7,721	1.40	2.13	1.02
Texas	14,643	2.66	4.72	3.43
Utah	1,098	.20	.41	.34
Vermont	392	.07	.28	.25
Virginia	8,815	1.60	1.98	1.20
Washington, including Alaska	5,477	1.00	Washington 1.27	Washington 1.48
West Virginia	1,406	.26	1.40	.95
Wisconsin	5,068	.92	2.40	2.25
Wyoming	282	.05	.18	.20
TOTAL	$550,081			

1/ Based on 1929 data.

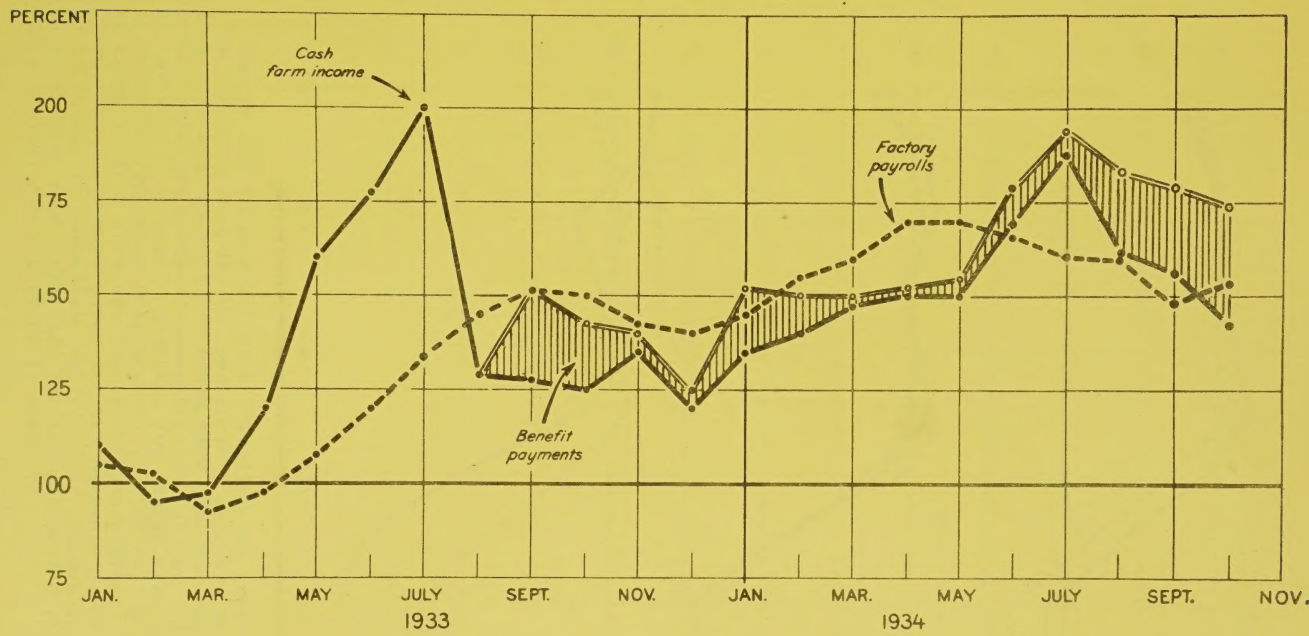
Table C.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Office of the Comptroller
Rental and Benefit Payments through October 31, 1934
Analyzed by State and Commodity

State	Total	Cotton	Wheat	Tobacco	Corn-Hogs
Ala.	$ 15,481,957.06	$ 15,278,998	$	$ 1,566	$ 201,392
Ariz.	650,309.78	608,364	20,592		21,352
Ark.	16,994,112.91	16,514,268	1,945	180	477,719
Calif.	2,637,983.01	636,703	1,172,272		829,007
Colo.	2,408,705.93		1,610,321		798,384
Conn.	320,561.85			299,640	20,921
Del.	108,092.80		92,868		15,223
Fla.	768,097.90	395,609		243,269	129,218
Ga.	14,736,194.86	13,187,872	8,364	1,470,243	69,714
Idaho	3,089,893.51		2,864,178		225,714
Ill.	18,537,687.61		2,392,697	267	16,144,722
Ind.	12,807,227.19		2,135,005	75,045	10,597,176
Iowa	31,770,308.12		441,790		31,328,517
Kans.	39,428,940.19	3,052	32,246,197	3,611	7,176,078
Ky.	4,559,418.63	66,307	235,662	2,705,329	1,552,119
La.	8,223,366.55	8,223,366			
My.	1,406,677.23		1,145,513	38,288	222,874
Mass.	302,818.99			117,355	185,463
Mich.	2,113,802.31		827,834		1,285,967
Minn.	10,529,918.98		1,622,568	27,864	8,879,485
Miss.	15,211,357.81	15,182,390			28,967
Mo.	15,447,131.19	2,519,926	1,853,236	54,632	11,019,335
Mont.	6,743,575.00		6,516,724		226,850
Nebr.	19,863,745.01		7,360,473		12,503,271
Nev.	58,642.54		32,285		26,356
N.H.	13,085.90			2,594	10,491
N.J.	125,405.96		12,895		112,510
N.Mex	1,396,762.94	612,989	624,495		159,278
N. Y.	162,894.08		42,489	26,820	93,584
N. C.	11,233,510.59	5,322,699	56,442	5,590,367	264,001
N. Dak.	16,014,606.10		14,829,738		1,184,867
Ohio	9,811,080.28		1,775,714	488,225	7,547,140
Okla.	26,518,848.52	15,634,807	8,900,661		1,983,379
Ore.	2,754,938.41		2,510,153		244,784
Penna.	963,816.91		292,835	548,038	122,942
Puerto R.	1,158,051.50			1,158,051	
R. I.	2,176.84				2,176
S. C.	10,299,060.13	8,353,874		1,841,395	103,789
S. Dak.	10,480,629.18		4,626,686		5,853,942
Tenn.	7,167,997.87	4,956,634	131,793	662,643	1,416,925
Texas.	67,167,913.09	59,051,339	6,243,192		1,873,381
Utah	892,930.65		807,314		85,616
Vt.	27,331.36			2,833	24,498
Va.	2,232,305.89	237,177	640,380	658,227	696,519
Wash.	4,435,970.69		4,117,248		318,722
W. Va.	213,993.74		66,846	33,785	113,362
Wisc.	3,877,385.85		31,316	522,373	3,323,696
Wyo.	546,165.96		378,815		167,350
Totals	$421,697,389.40	$166,786,379	$108,669,557	$16,572,652	$129,668,799

FARM INCOME AND FACTORY PAYROLLS SINCE JANUARY 1933

(FIRST QUARTER 1933 = 100)

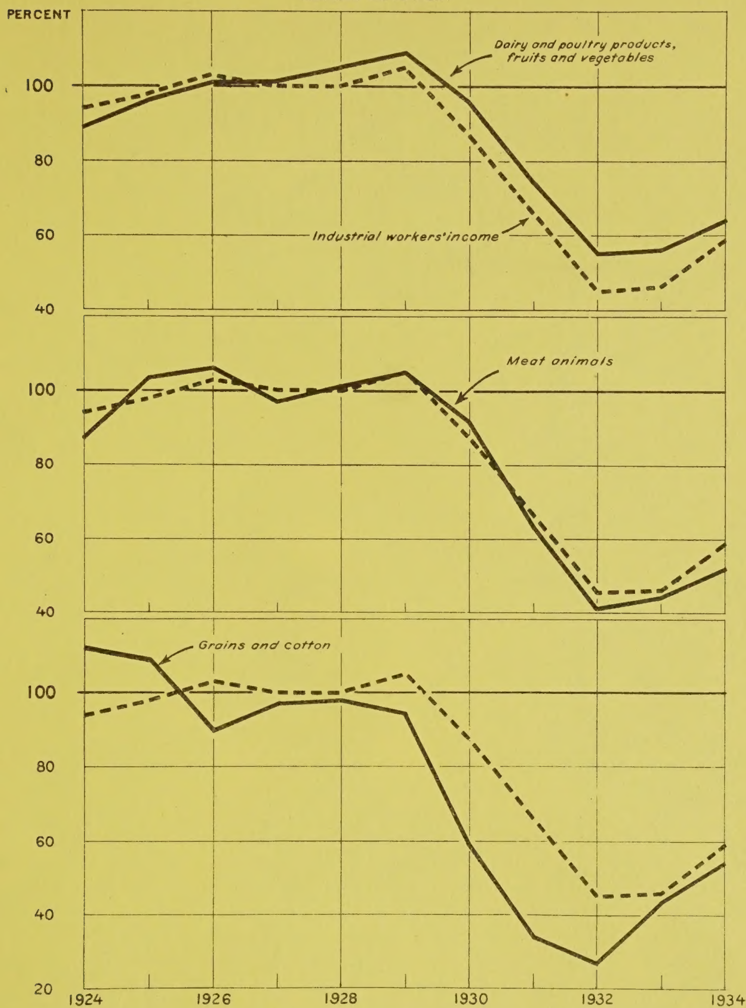


THE RISE IN FARM INCOME DURING THE SECOND QUARTER OF 1933 PRECEDED AND EXCEEDED THE RISE IN FACTORY PAYROLLS AND JUST AS IN THE FALL OF 1933 FARM INCOME TOGETHER WITH BENEFIT PAYMENTS SERVED TO CHECK THE DECLINE IN INDUSTRIAL ACTIVITY AND FACTORY PAYROLLS, THEY ALSO SERVED TO CUSHION THE DECLINE IN INDUSTRIAL ACTIVITY AND FACTORY PAYROLLS DURING THE FALL OF 1934. BY AND LARGE, THESE TWO STREAMS OF INCOME ARE INTERDEPENDENT AND THAT WHICH STIMULATES OR CHECKS THE ONE TENDS TO AFFECT THE OTHER.

Figure 1

INCOME OF INDUSTRIAL WORKERS AND CASH INCOME FROM FARM PRODUCTS

1924-1929=100 PERCENT



DURING THE PROSPERITY YEARS 1924-1929 THE GROSS INCOME FROM EXPORT CROPS (GRAINS AND COTTON) DECLINED WHILE INCOME FROM MEAT ANIMALS AND OTHER FARM PRODUCTS PRODUCED LARGELY FOR THE DOMESTIC MARKETS SHARED IN THE STABLE LEVEL OF INCOME OF INDUSTRIAL WORKERS. THE INCOME FROM INTERNATIONAL PRODUCTS FELL MUCH MORE SHARPLY IN 1930 AND TO A MUCH LOWER LEVEL IN 1932 THAN DID THE INCOMES FROM OTHER PRODUCTS. SINCE THEN, THEY HAVE SHOWN GREATER RECOVERY. THIS HAS SERVED TO STIMULATE INDUSTRIAL ACTIVITY AND INDUSTRIAL PAYROLLS WHICH IN TURN HAVE INCREASED THE RETURNS ON THE PRODUCTS PRODUCED LARGELY FOR THE DOMESTIC MARKETS.

Figure 2